

FREQUENTLY ASKED QUESTIONS  
BANK INDONESIA REGULATION NO.16/18/PBI/2014  
ON AMENDMENT TO BANK INDONESIA REGULATION NO.15/8/PBI/2013  
CONCERNING HEDGING TRANSACTIONS TO BANK

1. Q : **What is the background on this issuance of Amendment to Bank Indonesia Regulation (*PBI*) on Hedging Transactions to Banks?**

A : This PBI improvement is a harmonization effort in the arrangement of foreign exchange transactions against Rupiah between Banks and the domestic parties in the domestic foreign exchange market. It is expected that this will realize and maintain the stability of rupiah exchange rate and also encourage the deepening of domestic foreign exchange market.

2. Q : **Must the hedging transactions be supported by underlying transaction documents and/or supporting documents?**

A : Yes. Hedging transactions involving purchase hedging transactions and/or sale hedging transactions must be supported by underlying transaction documents and/or supporting documents in accordance with Bank Indonesia regulation that governs foreign exchange transactions against Rupiah between Banks and the domestic parties.

3. Q : **What is the regulation on the term of hedging transactions?**

A : The term of hedging transactions must not exceed the term of underlying transactions specified in the underlying transaction documents.

4. Q : **What is the regulation on the nominal value of hedging transactions?**

A : The nominal value of hedging transactions must not exceed the nominal value of underlying transactions specified in the underlying transaction documents.

5. Q : **Can the settlements of hedging transactions be performed without principal fund transfer (netting)?**

A : Yes. The settlements of hedging transactions can be performed without principal fund transfer (netting) in accordance with Bank Indonesia regulation that governs foreign exchange transactions against Rupiah between Banks and the domestic parties.

6. Q : **What about the regulation on sanctions in this PBI?**

A : The regulation on sanctions shall refer to several regulations of Bank Indonesia concerning:

- a. Foreign exchange transactions against Rupiah between Banks and the domestic parties.
- b. Derivative transactions.
- c. Risk management of commercial banks, risk management of sharia banks and sharia business units.
- d. Commercial banks daily reports